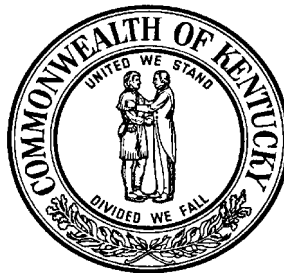


**REPORT OF THE AUDIT OF THE  
BOYD COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2000**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**BOYD COUNTY SHERIFF**

**For The Year Ended**  
**December 31, 2000**

The Auditor of Public Accounts has completed the Boyd County Sheriff's audit for the year ended December 31, 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

Excess fees decreased by \$71,807 from the prior calendar year, resulting in excess fees of \$4,930 as of December 31, 2000. Revenues decreased by \$42,643 from the prior year and disbursements increased by \$26,605.

**Report Comments:**

- The Sheriff Overpaid Commissions To His Fee Account And Overpaid Excess Fees To The Fiscal Court
- The Sheriff Should Invest Moneys In Interest-Bearing Bank Accounts

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Bill Scott, Boyd County Judge/Executive  
Honorable Philip Sturgill, Boyd County Sheriff  
Members of the Boyd County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Boyd County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2000, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated August 9, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Bill Scott, Boyd County Judge/Executive  
Honorable Philip Sturgill, Boyd County Sheriff  
Members of the Boyd County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- The Sheriff Overpaid Commissions To His Fee Account And Overpaid Excess Fees To The Fiscal Court
- The Sheriff Should Invest Moneys In Interest-Bearing Bank Accounts

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 9, 2002



BOYD COUNTY  
 PHILIP STURGILL, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2000

Receipts

State - Kentucky Law Enforcement Foundation Program Fund		\$	49,894
State Fees For Services:			
Finance and Administration Cabinet			134,651
Circuit Court Clerk:			
Sheriff Security Service	\$	30,879	
Fines and Fees Collected		<u>11,421</u>	42,300
Fiscal Court			42,532
County Clerk - Delinquent Taxes			6,619
Commission On Taxes Collected			530,421
Fees Collected For Services:			
Auto Inspections	\$	25,130	
Accident and Police Reports		3,637	
Carrying Concealed Deadly Weapon Permits		18,710	
Serving Papers		<u>32,915</u>	80,392
Other:			
Dog Tags	\$	150	
Advertising Fees		3,792	
Tax Collection Fees		83,066	
Miscellaneous		<u>1,047</u>	88,055
Borrowed Money:			
Bank Note			<u>320,000</u>
Total Receipts		\$	1,294,864

BOYD COUNTY  
 PHILIP STURGILL, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2000  
 (Continued)

Disbursements

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$	521,525
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Employee Benefits-

Employer's Share Social Security		41,132
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Employer Paid Health Insurance		95,007
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Contracted Services-

Advertising		1,396
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Audit Fees		14,500
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Contract Labor		19,983
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Vehicle Maintenance and Repairs		21,273
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Materials and Supplies-

Office Materials and Supplies		13,835
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Uniforms		4,568
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Auto Expense-

Gasoline		23,783
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Other Charges-

Bond		672
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Carrying Concealed Deadly Weapon Permits		13,055
--	--	--------

Dues		1,682
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Fiscal Court Fees		8,460
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Postage		9,823
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Insurance		1,915
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Transporting Prisoners		15,546
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Utilities		7,796
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Miscellaneous		10,401
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Debt Service:

Leases		42,580
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Notes		320,000
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Total Disbursements

\$	1,188,932
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Net Receipts

\$	105,932
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Less: Statutory Maximum

\$	72,014
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Training Incentive Benefit

	688
--	-----

	72,702
--	--------

Excess Receipts Over Disbursements

\$	33,230
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BOYD COUNTY  
 PHILIP STURGILL, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2000  
 (Continued)

Excess Receipts Over Disbursements (Continued)	\$ 33,230
Commission Erroneously Paid to Fee Account	<u>(28,300)</u>
Excess Fees Due County for Calendar Year 2000	\$ 4,930
Payment to County Treasurer - November 7, 2001	<u>(30,000)</u>
Overpayment Refund Due From Fiscal Court at Completion of Audit	<u>\$ (25,070)</u>
<b>Reconciliation of Cash Account</b>	
Current Cash Balance in Fee Account	\$ 3,230
Proposed Deposit of Fiscal Court Refund	<u>25,070</u>
Adjusted Cash Balance in Fee Account	28,300
Proposed Payment to Tax Account	<u>(28,300)</u>
Adjusted Cash Balance in Fee Account After All Transactions	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statement.

BOYD COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent for the first six months of the year and the 7.17 for the last six months of the year.

BOYD COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2000  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Leases

- A. The Office of the County Sheriff is committed to a lease agreement with Kentucky Association of Counties Leasing Trust Program through the Boyd County Fiscal Court for Sheriff's cars. The agreement requires variable monthly payments for 36 months to be completed on March 20, 2001. The total balance of the agreement is \$9,072 as of December 31, 2000.
- B. The Office of the County Sheriff is committed to a lease agreement with Pitney Bowes for a postage meter. The agreement requires a monthly payment of \$473 for 54 months to be completed on June 30, 2001. The total balance of the agreement is \$2,838 as of December 31, 2000.

Note 5. Donations Accounts

On May 12, 1994, the Sheriff's office established the Special Account for the deposit and disbursement of donations accepted for the purchase of items not budgeted in the Sheriff's official fee account. On April 15, 1999, the Sheriff's office established the Memorial Bulletproof Vest Account for the deposit and disbursement of donations accepted for the purchase of bulletproof vests. These two accounts are referred to as the Donations Accounts.

BOYD COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2000  
(Continued)

Note 5. Donations Accounts (Continued)

During 2000, at the request of the Boyd County Fiscal Court (Fiscal Court), the Auditor of Public Accounts (APA) conducted an examination of the Donations Accounts and issued a report dated May 8, 2001. Following APA recommendations, the Sheriff remitted the remaining balances in the Donations Accounts to the Fiscal Court, and as of December 31, 2000, the balance in each of these accounts was zero.

On June 28, 2001, Fiscal Court filed a civil action against the Sheriff over issues related to the Donations Accounts in which the Fiscal Court seeks reimbursement from the Sheriff for undetermined amounts. This lawsuit is pending, and the final outcome cannot be projected at this time.

## COMMENTS AND RECOMMENDATIONS





BOYD COUNTY  
PHILIP STURGILL, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2000

STATE LAWS AND REGULATIONS:

1. The Sheriff Overpaid Commissions To His Fee Account And Overpaid Excess Fees To The Fiscal Court

The Sheriff overpaid tax commissions from his 2000 tax account to his 2000 fee account. This tax commission overpayment resulted from the Sheriff charging a 4.25% commission rate for collecting fire and ambulance district taxes. KRS 75.040 sets a commission rate of 1% for fire district taxes and KRS 108.100 sets a commission rate of 4% for ambulance districts. By charging a commission rate of 4.25% instead of the correct rates, the Sheriff overcharged \$28,300 in commissions for collecting fire and ambulance district taxes. Furthermore, the Sheriff underpaid taxes to the fire and ambulance districts in the same amount. When the Sheriff paid commissions to his fee account, the overcharged fire and ambulance district commissions were also transferred to the fee account, resulting in a \$28,300 tax commission overpayment to the fee account.

For calendar year 2000, the Sheriff paid excess fees of \$30,000 to the fiscal court, leaving a balance of \$3,230 remaining in the Sheriff's fee account. After adjusting the Sheriff's fee account ledgers for the commission overpayment noted above, the Sheriff owed only \$4,930 in excess fees to the fiscal court. Therefore, the Sheriff has overpaid excess fees to the fiscal court in the amount of \$25,070 for calendar year 2000.

We recommend the fiscal court refund the excess fee overpayment of \$25,070 to the Sheriff's fee account. After collecting this refund and depositing it into his fee account, there will be a balance of \$28,300 in the Sheriff's fee account. The Sheriff should transfer \$28,300 in commission overpayments back to his tax account. The Sheriff should then pay additional taxes due the fire districts as noted in our 2000 tax audit.

*Sheriff's Response:*

*None.*

2. The Sheriff Should Invest Moneys In Interest-Bearing Bank Accounts

The Sheriff deposited funds into a non-interest bearing bank account. KRS 66.480 states that the Sheriff may, and at the direction of the fiscal court shall, invest and reinvest money subject to their control and jurisdiction. Prudent financial management dictates that the Sheriff take advantage of earnings potential by depositing funds into interest-bearing bank accounts. We recommend the Sheriff invest all funds into interest bearing bank accounts.

*Sheriff's Response:*

*None.*

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:

None.

PRIOR YEAR:

- The Sheriff Should Invest Moneys In Interest-Bearing Bank Accounts

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
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Honorable Philip Sturgill, Boyd County Sheriff  
Members of the Boyd County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Boyd County Sheriff for the year ended December 31, 2000, and have issued our report thereon dated August 9, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Boyd County Sheriff's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff Overpaid Commissions To His Fee Account And Overpaid Excess Fees To The Fiscal Court
- The Sheriff Should Invest Moneys In Interest-Bearing Bank Accounts



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boyd County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 9, 2002

